Camorp

CANADA CANADA CANADA
WEST NORTHWEST NORT
AND LAND LAND LAND LA
D LIMITED LIMITED LIMITED

CANADA NORTHWEST LAND LIMITED

1975 ANNUAL REPORT

DIRECTORS:

S. L. Christensen
New York City, U.S.A.

H. G. Gammell
Calgary, Alberta

N. E. Goodman
Toronto, Ontario

D. W. Hilland
Calgary, Alberta

E. A. Jonas
New York City, U.S.A.

J. Poscente
London, England

M. S. Reford
Aylmer East, P.Q.

G. G. Ross
Montreal, P.Q.

R. T. Ruggles
Montreal, P.Q.

Lord Shaughnessy
Calgary, Alberta

OFFICERS:

H. G. Gammell
President

J. Poscente
Executive Vice President

Lord Shaughnessy
Vice President and Secretary

D. W. Hilland
Assistant Secretary

M. J. Khan
Treasurer

PRINCIPAL BANKERS:

The Royal Bank of Canada

TRANSFER AGENTS:

Canada Permanent Trust Company

AUDITORS:

Clarkson, Gordon & Co.

STOCK LISTINGS:

The Toronto Stock Exchange

SUBSIDIARIES:

Canada Northwest Oils, Inc.
Canada Northwest Oil (U.K.) Limited
Canada Northwest Oils (Europe) B.V.
CNWL Oil (Espana) B.V.
Thor Exploration Company Ltd.
Pawnee Petroleums Ltd.

HEAD OFFICE:

920, 355 - 4th Avenue, S.W.,
Calgary, Alberta T2P 0J1

The Annual General Meeting will be held at 2:00 P.M., May 14th, 1976, in the LAKEVIEW ROOM of the CALGARY INN, Calgary, Alberta.

Canada Northwest Land Limited

Highlights of Activities:

	1975	1974
Production (before Crown Royalties and Mineral Income Taxes)		
Oil	**37,862 Bbls.***	168,700 Bbls.
Gas	**2,012,176 Mcf.**	1,187,500 Mcf.

* *Reflects sale of Saskatchewan oil reserves in December, 1974,*

	1975	1974
Proven & Probable Reserves — December 31, 1975 (before Crown Royalties and Mineral Income Taxes) (excluding Spain)		
Oil	**1,500,000 Bbls.**	1,381,000 Bbls.
Gas	**146,000,000 Mcf.***	174,500,000 Mcf.

* *Reflects disposals of gas reserves during 1975.*

	1975	1974
Net Land Holdings (in acres)		
Canada:		
Freehold titles, leases, permits, licences and coal claims	**603,593**	507,420
Foreign:		
U.S.A. leases	**59,422**	49,390
Spain permits	**117,762**	84,185
North Sea Licence	**10,005**	10,005
Other Areas	**36,376**	72,872

	1975	1974
Financial		
Gross Revenue (before Crown Royalties and Mineral Income Taxes)	**$1,805,260**	$1,139,500
Cash Flow	**$ 317,316**	$ 50,191
Net Loss	**$ 217,031**	$ 423,495
Shares Outstanding*	**4,349,164**	4,204,274
Working Capital	**$ 353,700**	$ 653,600

* *Before conversion of debentures which occurred after year-end. This increased shares outstanding to 5,220,818.*

To Our Shareholders:

Against a background of world political and economic uncertainty, our Company's progress during 1975 was most gratifying. New highs were recorded in revenues and exploration was unusually successful. Despite modest financial resources, over the last six years our Company has been able to establish well diversified exploration exposures which are now starting to pay off.

During the year, a wildcat drilled on a Spanish offshore permit in which our Company has an interest, discovered what could be a major oil field. An exploration and financing arrangement was negotiated for our North Sea block and our Company's U.S. exploration program was successful in establishing oil and gas production. Panarctic Oils Ltd., in which our Company is a shareholder, continued to add to its Arctic Islands gas reserves by stepout drilling and made a significant oil discovery.

Spain, largely dependent on expensive imports for its petroleum needs, has established a hospitable atmosphere for explorers by eliminating royalties, reducing taxes, and allowing repatriation of profits.

Financing of the Spanish discovery will become a major project for this Company over the next few years. The merits of various alternative plans are being evaluated as relevant reservoir information is established from drilling and testing. It is anticipated that funds will be available for this project when needed. Some steps were taken subsequent to the year-end to prepare for future financing. Cash flows from this development will permit our Company to enlarge its exploration programs in North America and abroad.

While oil prices appear to have reached a plateau elsewhere in the world, Canadian prices are still catching up and are expected to continue to rise in 1976. Canada's exploration industry appears to be slowly reviving, aided by an improving economy, higher gas and oil prices, and by signs of relaxation in government's squeeze on the industry. However, to attract the exploration needed to maintain Canada's self-sufficiency, the royalty and tax structure and land regulations must become more generous than they are now.

Tribute must be paid to the most essential ingredient in our progress over the past year, our employees. All worked long and hard, with enthusiasm and creativity to make 1975 the best year our Company has yet seen and to lay the foundations for many equally good years in the future.

H G Gammell

H. G. Gammell,
President.

The Bideford Dolphin drillstem testing the Casablanca #1 oil discovery in the Gulf of Valencia, Spain, September 22, 1975.

Review of Operations 1975

EXPLORATION AND DEVELOPMENT

International

Spain:

The discovery of oil on the Casablanca permit in the Gulf of Valencia in September, 1975, was the outstanding event of the year's operations. This significant find is expected to prove a rich reward for our Company's exploration activity offshore Spain, which started in 1971.

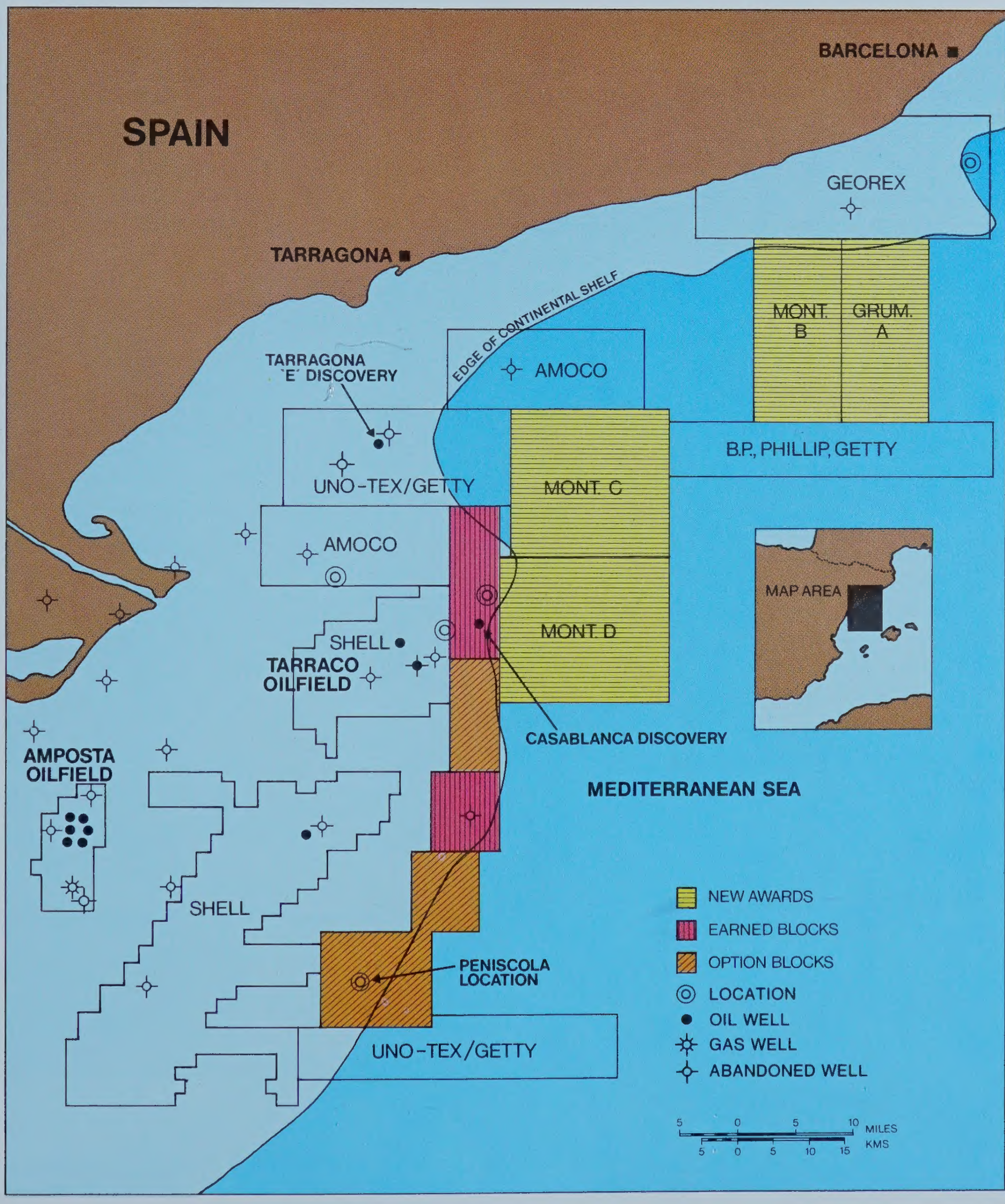
In October of that year, our Company, after six months of geological studies, initiated an application, with a partner, for five offshore permits totalling 168,320 acres on the edge of the continental shelf, 35 miles off the eastern Mediterranean coast of Spain. In December, 1973, these permits were granted to the Canada Northwest group. Our Company's interest in the permits, at that time, was 50%. Geophysical surveys in 1974 and 1975 disclosed three large structures on the permits. In the spring of 1975, an international group headed by Chevron Overseas Petroleum Inc., took options to drill and earn 50% interests in each permit. The first hole, Rapita #1, a 10,000 foot test drilled in July, 1975, on the San Carlos permit, was dry. However, the second wildcat drilled in September, on the northernmost Casablanca permit encountered oil at 8,600 feet. It was completed as an oil well, having drillstem tested up to 10,700 barrels per day from one zone and 2,900 barrels per day from a second shallower zone, both on restricted chokes. The gross pay zone from which oil was recovered is over 500 feet thick. Canada Northwest's interest in the discovery block, assuming the Spanish National Oil Company exercises its option to acquire a 40% working interest, will be 15%.

At the time of writing, a second delineation hole was drilling on the structure about two miles northeast of the discovery. Additional delineation drilling will probably take place during 1976, and plans for production testing to determine the productive capacity of the field are now being developed. Depending on the results of these evaluations, permanent production facilities will be designed and could be constructed by 1979.

In January, 1976, the Chevron group elected to drill a third option wildcat, at no cost to Canada Northwest, on the southernmost Peniscola permit. This well — also drilling at the time of writing — should reach total depth by the middle of May, 1976.

In September of 1975, the discovery team, with Canada Northwest having a 10% interest, placed work bids on five additional permits which had been offered by the Spanish government in the area. In January, 1976, four of these permits totalling 384,992 acres were awarded to our group. Two of these new permits lie adjacent to the Casablanca discovery. Geophysical surveys on all permits will be completed in the summer of 1976 and drilling may follow later in 1976 or in 1977.

East Coast of Spain - Ownership Map



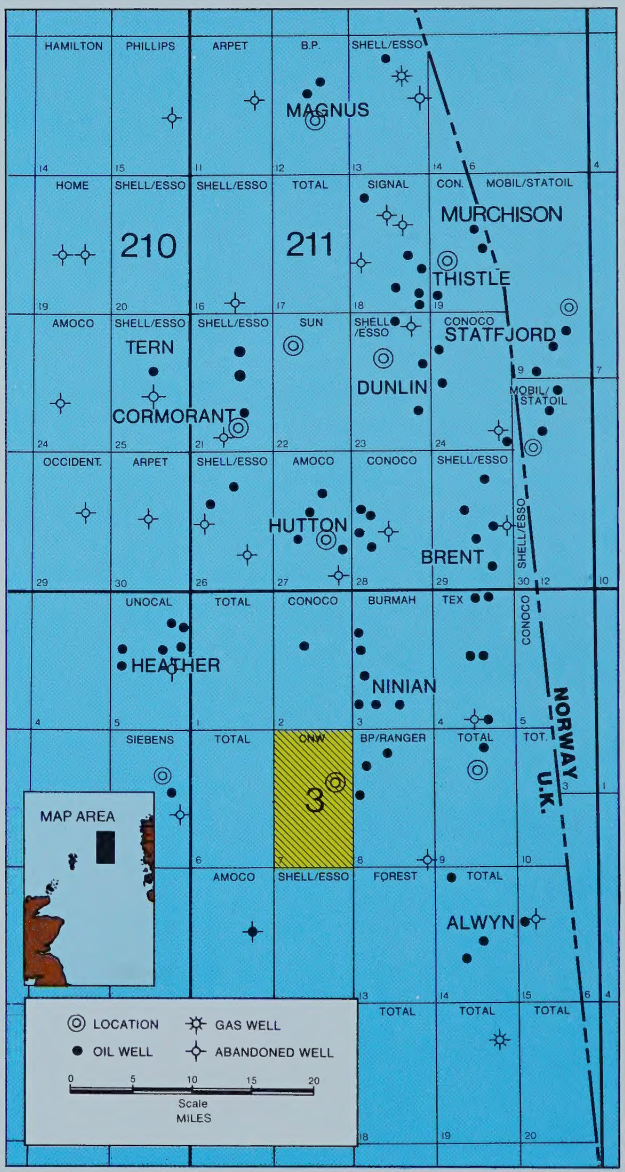
United Kingdom, North Sea:

Despite an improving government-industry atmosphere in the United Kingdom, the high cost, combined with the geological and political risk involved in offshore operations in the North Sea, were too much for our Company to bear alone. It was, therefore, decided during 1975 to farm out Block 3/7. A group headed by Chevron Petroleum (U.K.) Limited, operator of the adjoining Ninian field, executed an agreement with most of the participants in the Canada Northwest group in February, 1976, to drill two wildcat holes on the block to earn a 65% interest. In the event of a discovery, the Chevron group will finance the farmors' share of the cost of development, pipeline and shore terminal facilities. These costs will be recovered out of a portion of the farmors' remaining production revenues. During this pay-back period, our Company's interest in production will be three percent, reverting to seven percent after pay-back. As a prerequisite of government approval of this arrangement, the group agreed to negotiate towards a 51% state participation in the block, which would leave the licence holders "no better nor no worse off financially". Recently announced agreements on participation give the government the right to purchase 51% of the produced oil at fair market value. Management does not expect its beneficial interest to be diluted by this form of participation.

Drilling of the first wildcat hole started in February, 1976, and the second hole is expected to be started in June, 1976.

This arrangement with an experienced and strong international oil company, relieves our Company of what could be a very risky and costly venture, but still leaves Canada Northwest with a significant interest if a discovery is made.

North Sea - Ownership Map



Canada Northwest Land Limited

EXPLORATORY ACREAGE (December 31, 1975)

PETROLEUM & NATURAL GAS WORKING INTERESTS

	1975		1974	
	Gross	**Net**	Gross	Net
Canada				
Alberta:				
Freehold titles, leases, permits & licences	**593,119**	**183,443**	393,843	191,624
Saskatchewan:				
Freehold titles & leases	**107,527**	**103,272**	116,021	111,748
Manitoba:				
Freehold titles & leases	**17,868**	**17,868**	18,028	18,028
Arctic Islands and East Coast Offshore permits	**596,993**	**230,232**	1,420,218	500,820
U.S.A.				
Kentucky	**15,130**	**6,809**	15,130	6,809
Montana	**104,621**	**28,664**	63,540	24,821
North Dakota	**18,943**	**14,552**	18,783	14,352
Oklahoma	**18,854**	**9,265**	7,822	3,408
Kansas	**240**	**132**	—	—
	157,788	**59,422**	105,275	49,390
Foreign				
United Kingdom — North Sea	**50,025**	**10,005**(1)	50,025	10,005
Tunisia	**2,199,987**	**13,890**	3,526,172	35,262
Italy	**124,722**	**22,486**	202,807	37,610
Spain	**573,234**	**117,762**(2)	168,370	84,185
	2,947,968	**164,143**	3,947,374	167,062
Total P. & N. G. Working Interests	**4,421,263**	**758,380**	6,000,759	1,038,672

(1) Before Farmout
(2) After Farmout

PETROLEUM & NATURAL GAS CARRIED INTERESTS (GROSS ACRES)

	1975	1974
Canada	**466,659**	510,121

	1975		1974	
	Gross	**Net**	Gross	Net
MINERAL WORKING INTERESTS				
Alberta coal leases	**13,200**	**6,600**	13,200	6,600

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1975 AND 1974

Assets

	1975	1974
CURRENT:		
Cash and short term deposits	$ 65,473	$ 2,091,368
Accounts receivable — trade	787,397	832,137
— sale of interest in producing properties	1,900,000	200,000
Prepaid expenses and supplies	26,803	22,010
	2,779,673	3,145,515
INVESTMENTS — at cost:		
Panarctic Oils Ltd.	15,583,976	15,583,976
Rio Alto Exploration Ltd. (market value — $156,000; 1974 - $94,500)	122,250	122,250
	15,706,226	15,706,226
PROPERTY AND EQUIPMENT:		
Oil and gas properties — at cost less accumulated depletion of $1,081,332 (1974 - $938,430)	5,733,798	5,715,916
Production and other equipment — at cost less accumulated depreciation of $268,256 (1974 - $204,757)	2,161,125	1,788,010
	7,894,923	7,503,926
OTHER:		
Unamortized debt discount and financing costs	88,566	278,297
Long term receivables and deposits (Note 2)	632,716	309,316
	721,282	587,613
	$27,102,104	$26,943,280

Liabilities and Shareholders' Equity

	1975	1974
CURRENT:		
Bank loan and overdraft	**$ 446,735**	$ 1,000,000
Accounts payable and accrued charges	**1,014,016**	520,432
Long term debt due within one year (Note 1)	**965,154**	971,484
	2,425,905	2,491,916
LONG TERM DEBT (Note 1)	**8,567,169**	8,803,123
DEFERRED INCOME TAXES	**138,216**	—
SHAREHOLDERS' EQUITY:		
Capital (Note 2)	**15,824,812**	15,285,208
Retained earnings	**146,002**	363,033
	15,970,814	15,648,241
	$27,102,104	$26,943,280

On behalf of the Board:

Director.

Director.

See accompanying summary of accounting policies and notes to consolidated financial statements.

Canada Northwest Land Limited

CONSOLIDATED STATEMENT OF INCOME

YEARS ENDED DECEMBER 31, 1975 AND 1974

	1975	1974
REVENUE:		
Oil and gas sales (after royalties and mineral income taxes of $365,201; 1974 - $239,306)	**$1,167,919**	$352,539
Royalty income	**172,564**	478,244
Interest and other income	**99,576**	69,417
	1,440,059	900,200
DEDUCT:		
Operating expense	**297,229**	187,751
General and administrative expense	**367,570**	307,011
Interest on long term debt (Note 1)	**484,172**	251,239
Mineral taxes	**59,723**	104,008
	1,208,694	850,009
Income from operations before the following	**231,365**	50,191
DEDUCT:		
Depletion	**142,902**	142,341
Depreciation	**63,499**	49,868
Amortization of debt discount and financing costs	**189,730**	243,977
Deferred interest on Series B Debentures	**—**	37,500
	396,131	473,686
Loss for the year before deferred income taxes	**164,766**	423,495
Deferred income taxes net of provincial government rebates	**52,265**	—
Net loss for the year	**$ 217,031**	$423,495
Net loss per share based on average shares actually outstanding	**(5¢)**	(10¢)

See accompanying summary of accounting policies and notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEARS ENDED DECEMBER 31, 1975 AND 1974

	1975	1974
Balance at beginning of year	**$363,033**	$786,528
Net loss for the year	**217,031**	423,495
Balance at end of year	**$146,002**	$363,033

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEARS ENDED DECEMBER 31, 1975 AND 1974

	1975	1974
SOURCES OF WORKING CAPITAL		
Operations —		
Net loss for the year	**$ (217,031)**	$ (423,495)
Add non-cash charges:		
Depreciation and depletion	**206,401**	192,209
Amortization of debt discount and financing costs	**189,730**	243,977
Deferred income taxes	**138,216**	—
Other	**—**	37,500
	317,316	50,191
Proceeds on sale of oil and gas properties and equipment	**2,060,917**	1,811,872
Proceeds from issue of long term debt	**1,045,400**	2,877,940
Issue of common shares	**539,604**	66,852
	3,963,237	4,806,855
DISPOSITION OF WORKING CAPITAL		
Expenditures on oil and gas properties and equipment		
Drilling and exploration	**1,763,941**	1,144,567
Acquisition costs and rentals	**255,809**	745,629
Production and other equipment	**638,564**	1,321,618
Repayments of long term debt	**1,281,354**	922,584
Investment in Panarctic Oils Ltd.	**—**	407,969
Investment in Rio Alto Exploration Ltd.	**—**	75,000
Increase in long term receivables and deposits	**323,400**	50,442
	4,263,068	4,667,809
Decrease (increase) in working capital	**$ 299,831**	$ (139,046)

See accompanying summary of accounting policies and notes to consolidated financial statements.

SUMMARY OF ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all its subsidiaries.

OIL AND GAS PROPERTIES

The companies follow the full cost method of accounting whereby all costs associated with the exploration for and development of oil and gas reserves are capitalized and depleted on the composite unit-of-production method based on estimated proven reserves of oil and gas. The costs which are capitalized include land acquisition costs, geological and geophysical expense, carrying charges of non-producing property, costs of drilling both productive and non-productive wells and overhead expenses relating to exploration activities.

OIL AND GAS EQUIPMENT

Oil and gas equipment costs are also depreciated on the unit-of-production basis.

UNAMORTIZED DEBT DISCOUNT AND FINANCING COSTS

Financing costs are being charged to income on a straight-line basis over the life of the related debt. The debt discount of $450,000 relating to the Convertible Subordinated Debentures was charged to income over the two year interest free period to September 15, 1975.

INCOME TAXES

The Company follows the tax allocation basis of accounting for income taxes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1975

1. LONG TERM DEBT

	1975	1974
7-1/2% Convertible Subordinated Debentures Series B (including deferred interest of $182,030 in 1974)	**$ 500,000**	$ 682,030
5% - 7-1/2% Convertible Subordinated Debenture	**4,500,000**	4,500,000
Bank loans repayable in monthly instalments of $77,700	**4,333,400**	4,360,501
Non interest bearing notes due $33,154 annually	**198,923**	232,076
	9,532,323	9,774,607
Less amounts due within one year	**965,154**	971,484
	$8,567,169	$8,803,123

On March 3, 1976, the 7-1/2% Convertible Subordinated Debentures Series B and the 5% - 7-1/2% Convertible Subordinated Debenture were converted into 871,655 common shares of the Company.

The bank loans are secured by certain oil and gas properties and bear interest at 3/4 of 1% in excess of the prevailing prime bank interest rate which was 9-3/4% at December 31, 1975.

The annual requirement for repayment of currently outstanding long term debt excluding the debentures is approximately $965,000 for each of the years 1976 - 1980.

2. CAPITAL

	1975	1974
Authorized:		
3,000,000 2% non-cumulative redeemable preferred shares of a par value of $1		
6,000,000 common shares of no par value		
Issued:		
4,349,164 common shares (1974 - 4,204,274)	**$15,824,812**	$15,285,208

During the year the Company issued 113,890 common shares on the exercise of stock options and under the stock purchase plan for a total cash consideration of $413,104. In addition, the Company issued 31,000 common shares at a stated value of $126,500 in payment of consulting fees and bonuses.

896,355 shares of the Company's common stock were reserved at December 31, 1975 as follows:

4,220 shares for options granted to an officer exercisable as to 3,500 shares at $6.95 per share and as to 720 shares at $6.63 per share and expiring on various dates to December 31, 1978.

20,480 shares for options granted to employees exercisable at rates varying from $6.95 per share to $7.20 per share and expiring on various dates to December 31, 1978.

871,655 shares for the conversion of the Convertible Subordinated Debentures (see Note 1).

Under the Stock Purchase Plan, the Company has agreed to advance funds to a Trustee to be used by the Trustee for the purchase and immediate resale to employees of the Company's capital stock at the average sale price of the Company's shares on the date of the transaction. At December 31, 1975, $572,000 was receivable by the Company ($216,000 at December 31, 1974) under the above arrangement and is included in long term receivables and deposits.

3. REMUNERATION OF DIRECTORS AND OFFICERS

During the year ended December 31, 1975 the aggregate remuneration of the ten directors in their capacity as directors was $3,000 (1974 - $3,875) and the remuneration of the five officers in their capacity as officers was $150,500 (1974 - $126,000). Four of the officers are also directors.

AUDITORS' REPORT

To the Shareholders of Canada Northwest Land Limited.

We have examined the consolidated balance sheet of Canada Northwest Land Limited and its subsidiaries as at December 31, 1975 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada.
March 5, 1976.

Clarkson, Gordon & Co.

CLARKSON GORDON & CO.
Chartered Accountants

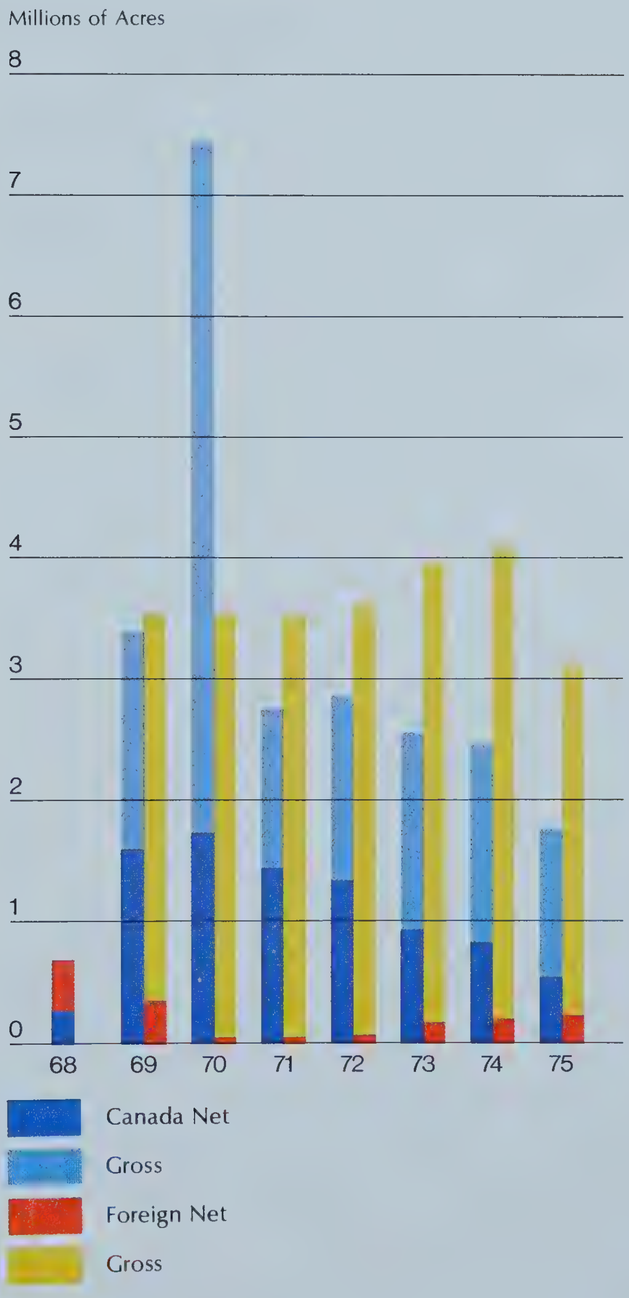
Other European and North African Areas:

Some exploration permits in Tunisia and offshore Italy, were relinquished during the year, following seismic surveys. Exploration activity, including farmed out drilling, continued on the Tunisian concessions retained. Results of pending applications in other Mediterranean areas are hoped for during 1976.

United States:

Exploration and development of lands acquired over the past three years in the United States, was intensified in 1975. Our Company participated in 14 holes, two of which were oil wells and seven gas wells. In Oklahoma, our Company's first U.S. production commenced in November when its McGuire gas well was put on stream. Near Ponca City, two oil wells started production in December. In the Sweetgrass area of northern Montana, where the Company has been involved in gas development since 1974, five additional gas wells were drilled. Production is expected to start during 1976. Geological surveys are continuing on geothermal prospects in other western states on which lease applications have been made.

Land Holdings



Canada

In 1975, our Company participated in 24 holes in Canada, 20 of which were gas wells. Drilling was concentrated on the Tweedie, Turin, Hilda and Westlock areas. Gas development will continue during 1976 and by year-end all of our Company's remaining shut-in gas reserves should be on production.

At Westlock, where our Company has an average 50% interest, five gas wells were drilled bringing the total to nine. In 1976, additional wells will be drilled and it is expected that gas will go on stream during 1976 at a rate of at least 6 MMcf. a day.

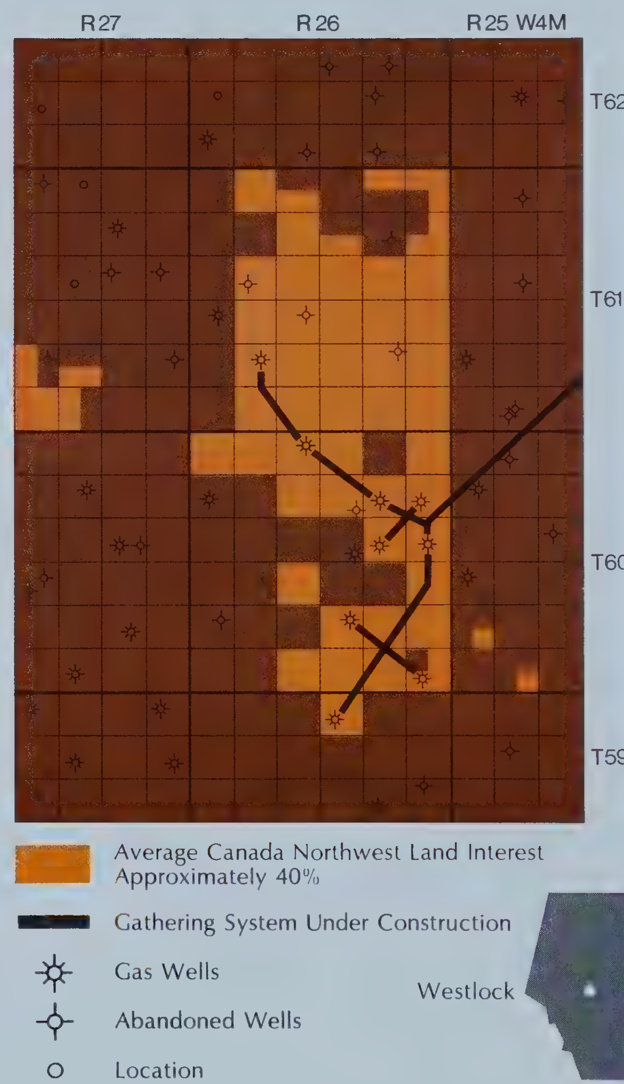
The Neptune gas processing plant started producing in December, 1975, at an initial rate of 4 MMcf. per day. This is expected to rise during 1976. Our Company's interest is 13%.

Two out of the four gas wells at Turin went on production at an initial combined rate of 5 MMcf. per day in February, 1976 and the remaining wells will go on stream later in the year at about 4 MMcf. per day. Our Company has a 50% interest in these wells.

At Tweedie, where our Company's interest is 35%, three wells were drilled (two gas wells) in 1975. More drilling and the construction of a gas plant are planned for 1976. Production is expected to start at close to 20 MMcf. per day by late 1976.

At Hilda Unit #2, where our Company's interest is 54%, it is planned to increase output above the current 5 MMcf. per day level by further drilling during 1976.

Westlock Area - Alberta



RESERVES

	Gross	Net
Gas Reserves end 1974 (MMcf.)	174,500	114,200
Less 1975 production	2,000	1,500
Less Reserves sales and adjustments.............	38,400	21,700
Plus 1975 additions.........	11,900	9,600
Gas Reserves end 1975	146,000	100,600
Oil Reserves end 1974 (barrels) ..	1,381,000	1,128,000
Less 1975 production	38,000	32,000
Plus 1975 additions.........	157,000	133,000
Oil Reserves end 1975	1,500,000	1,229,000

Reported gas reserves include both proven and probable.

Before the end of the year, our Company's interest in undeveloped gas lands at Gambling Lake near Edmonton, and north of Hilda Unit #2, as well as a 23% interest in the producing Hilda Unit #1, were sold for over $2.0 million.

During 1975, gas reserves were added at McGuire and Sweetgrass in the U.S., and at Turin and Westlock in Alberta. Oil reserves were added at Ponca City in the U.S. and Lucky Hills in Saskatchewan.

Estimates of our Company's share of oil reserves in the Spanish Casablanca discovery have not been shown in the above table. The discovery well, which produced close to 14,000 barrels per day from a gross pay zone of over 500 feet, has obviously proven up many millions of barrels of oil reserves. However, until more delineation wells are drilled and production testing is completed, the Company's consultants will not have enough data to estimate reserves accurately.

INVESTMENTS

Panarctic Oils Ltd.

In 1975, Panarctic, in which our Company has a four percent share interest (through its wholly owned subsidiary Thor Exploration Company Ltd.), made a significant reef oil discovery in the southern Arctic Islands at Bent Horn. This find may be sufficiently large to support a tanker transport system to eastern North America by 1979. The extent of the pool is currently being evaluated by stepout drilling.

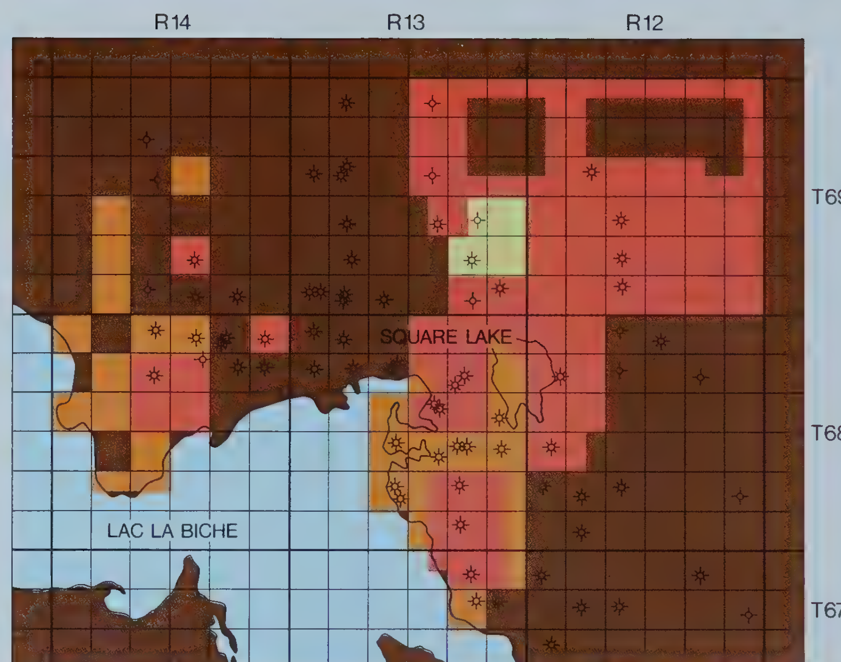
In 1975, Panarctic drilled both eastern and western offshore extensions to the Hecla gas field on Melville Island and made a gas discovery in a deeper zone under the same field in February, 1976. These successes helped to push reserves in the Arctic Islands closer to the threshold required for the installation of pipeline facilities to bring gas to central North American markets in the 1980's.

Due to more pressing cash demands elsewhere, our Company elected not to take up its pro rata share of Panarctic's 1975 or 1976 financing. Its share holding remained at 1,587,000 shares.

Rio Alto Exploration Ltd.

Rio Alto, in 1975, expanded its mineral exploration activities into base metal and uranium plays in Australia, mineral properties in Spain, as well as continuing exploration of uranium and base metal prospects in Canada. Exploration permits on 100,000 acres were acquired during the year at Baker Lake in the Northwest Territories, and in the Ogilvie Mountains in the Yukon, claims were registered on high grade copper-zinc properties and extensive iron deposits. At the end of the year, cash flow, before taxes, reached $37,000 and working capital was over $90,000. Under experienced and capable management, this 28% affiliate provides good exposure to mineral exploration.

Tweedie Area - Alberta



Gas Well

Abandoned Well

17½% Canada Northwest Land

17% Canada Northwest Land

32% Canada Northwest Land

FINANCIAL

In 1975, gross revenues, before deducting royalties and mineral income taxes paid to governments, grew by 58% to $1,805,260, despite the sale of Saskatchewan properties at the start of the year. This gain was due primarily to increases in gas production and higher prices for both oil and gas. The sale of the Saskatchewan properties also cut royalty revenue in half.

Royalties and other payments to governments rose by 53% to $365,000 in 1975, reflecting higher levels of production. Other cash costs increased by 42% to $1,209,000 in 1975, because of a doubling of interest charges and 58% gain in well operating costs. Funds borrowed late in 1974 to finance gas development and the payment of deferred interest on the convertible debentures, resulted in higher capital charges. General and administrative and mineral tax charges combined were slightly lower than the previous year.

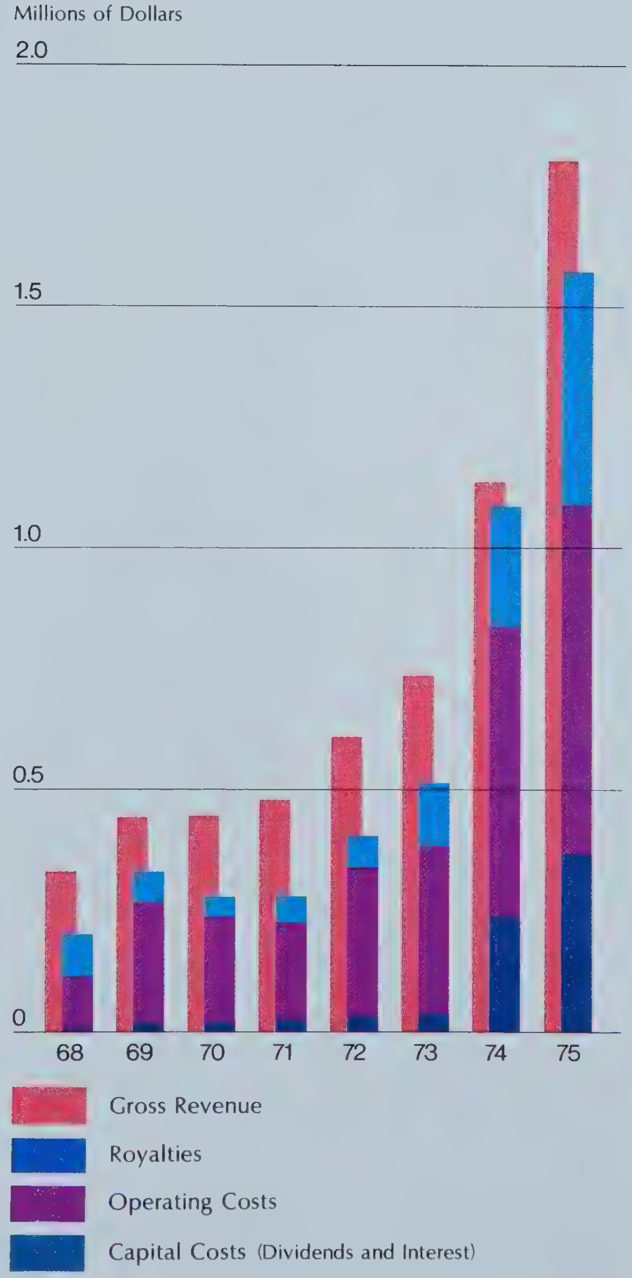
In 1975, cash flow increased to $231,000 from $50,000 in 1974.

Non cash charges (including a charge for deferred taxes now required by regulatory authorities) declined slightly from 1975, but were still sufficiently high that a net loss of $217,000 was recorded, down from $423,000 in 1974.

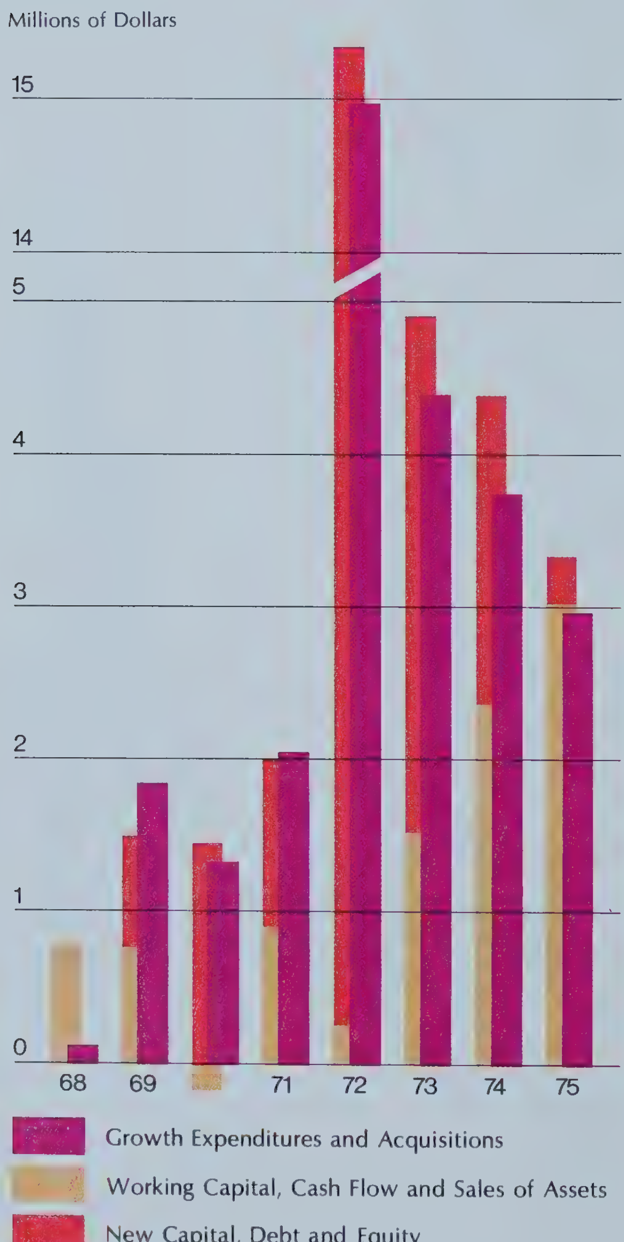
Growth expenditures at $2.7 million in 1975 were lower than the $3.7 million spent in 1974. These needs were supplied by cash flow and sale of assets.

In future, growth expenditures are expected to rise to much higher levels as our Company's Spanish interests are developed. The main thrust of this expenditure is expected before 1979 and sufficient oil revenues should be generated from these projects to support substantial borrowing. In addition to continued increases in debt service charges, general and administrative costs are also expected to rise during this period of development.

Revenue and Costs



Source and Application of Funds

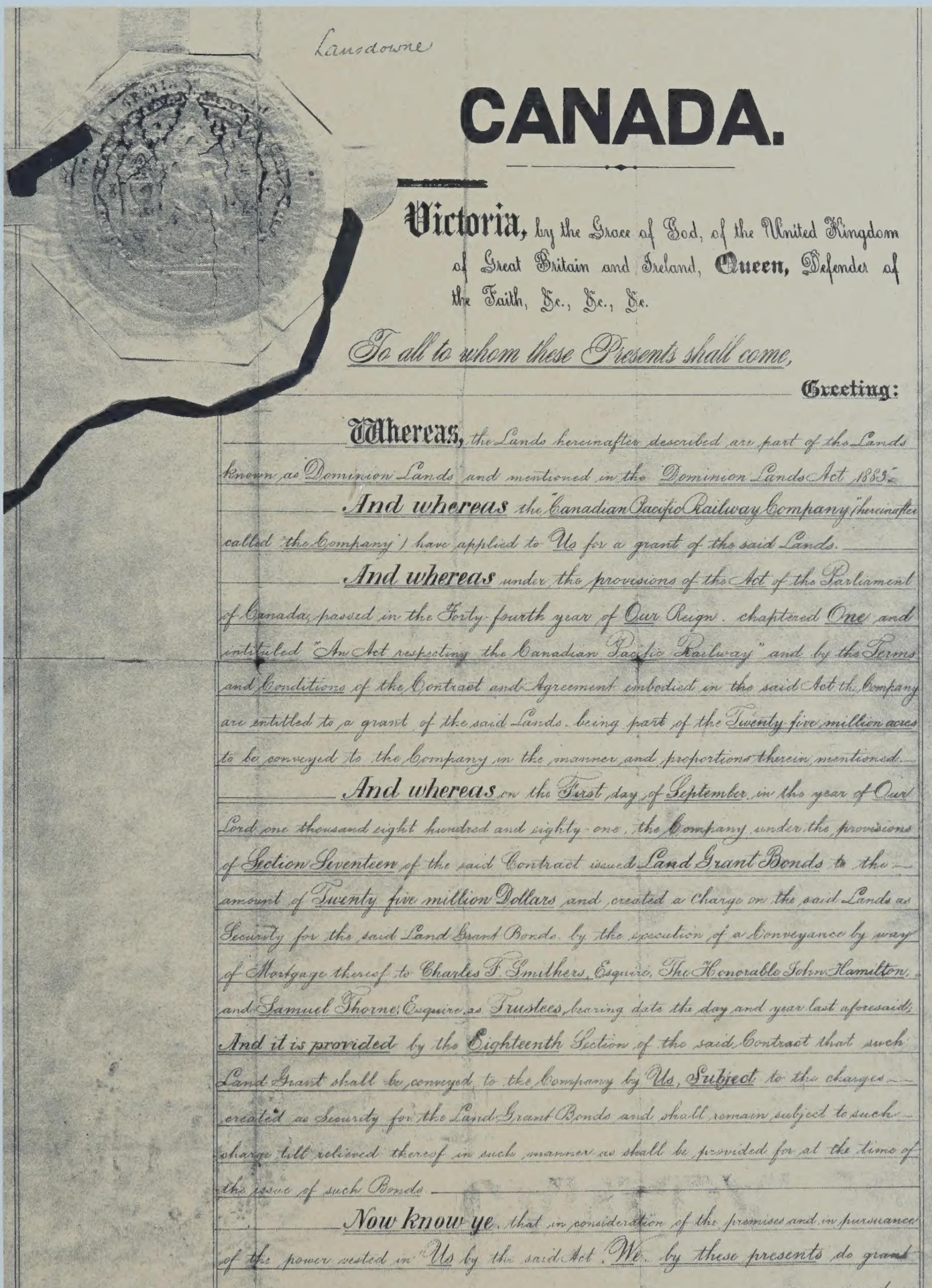


To prepare for these anticipated needs, the Company's long term debt was reduced by conversion of all outstanding debentures into shares subsequent to the year-end. The holders of the $4.5 million 5% - 7-1/2% debentures agreed to convert in consideration of a reduction in the conversion price to $6.00 from $9.50. The $500,000 remaining of the Series "B" 7-1/2% debenture was converted at the current conversion price of $4.11. Shares outstanding rose from 4,349,164 to 5,220,818 as a result of this conversion and long term debt was reduced from the $8.6 million recorded in the attached balance sheet, to approximately $3.6 million. This conversion will save the Company some $365,000 in debt service in 1976, a charge which would have risen to over $800,000 by 1983. In addition to cleaning up the balance sheet and reducing debt service needs, a broader equity base for future debt financing was provided by this move.

OTHER

Red Deer Minerals Ltd., which was acquired in 1973, was wound up during 1975 and its assets transferred to the parent company.

In January, 1976, to provide a broader management structure for a rapidly expanding operation, Mr. Jules Poscente was appointed Executive Vice President of the Company and Mr. M. J. Khan was appointed Treasurer. At the same time, Mr. R. J. Kirker became Exploration Manager - Foreign, and Mr. N. E. Brown - Exploration Manager - North America.



Lansdowne

CANADA.

Victoria, by the Grace of God, of the United Kingdom of Great Britain and Ireland, **Queen,** Defender of the Faith, &c., &c., &c.

To all to whom these Presents shall come,

Greeting:

Whereas, the Lands hereinafter described are part of the Lands known as Dominion Lands and mentioned in the "Dominion Lands Act 1883".

And whereas the "Canadian Pacific Railway Company" (hereinafter called "the Company") have applied to Us for a grant of the said Lands.

And whereas under the provisions of the Act of the Parliament of Canada, passed in the Forty-fourth year of Our Reign, chaptered One and intituled "An Act respecting the Canadian Pacific Railway" and by the Terms and Conditions of the Contract and Agreement embodied in the said Act the Company are entitled to a grant of the said Lands, being part of the Twenty five million acres to be conveyed to the Company in the manner and proportions therein mentioned.

And whereas on the First day of September in the year of Our Lord one thousand eight hundred and eighty-one, the Company under the provisions of Section Seventeen of the said Contract issued Land Grant Bonds to the amount of Twenty five million Dollars and created a Charge on the said Lands as Security for the said Land Grant Bonds by the execution of a Conveyance by way of Mortgage thereof to Charles F. Smithers, Esquire, The Honorable John Hamilton, and Samuel Thorne, Esquire, as Trustees, bearing date the day and year last aforesaid; **And it is provided** by the Eighteenth Section of the said Contract that such Land Grant shall be conveyed to the Company by Us, Subject to the charges created as Security for the Land Grant Bonds and shall remain subject to such charge till relieved thereof in such manner as shall be provided for at the time of the issue of such Bonds.

Now know ye, that in consideration of the premises and in pursuance of the power vested in Us by the said Act, We, by these presents do grant

convey and

A Grant of Land, dated November 22nd, 1883, which conveyed 1,280 acres, now part of the City of Regina, from the Crown to the Canadian Pacific Railway Company. These two sections were among the original 2,200,000 acres of land in the Northwest Territories purchased by the Canada Northwest Land Company.

CNW

CANADA NORTHWEST LAND LIMITED

Consolidated Statement of Changes in Financial Position

(Unaudited)

	Six Months Ended June 30, 1975	Six Months Ended June 30, 1974
Sources of Working Capital:		
Operations	$ 99,495	$ 25,179
Issue of common shares	425,942	66,852
Bank loans		685,400
Proceeds on sale of oil and gas properties and equipment	299,710	10,194
	$ 825,147	$ 787,625
Application of Funds:		
Expenditures on oil and properties and equipment:		
Drilling and exploration	$ 486,785	$ 504,938
Acquisition and rental costs	190,730	281,147
Production and other equipment	340,309	456,496
Reduction in long-term debt	411,600	4,600
Increase in long-term receivables and deposits	349,015	54,332
Investment in Panarctic Oils Ltd.		395,241
Investment in North Sea Petroleums Ltd.		15,496
	$1,778,439	$1,712,250
Increase (decrease) in working capital	($ 953,292)	($ 924,625)
Working capital as at December 31st	653,599	581,627
Working capital (deficit) as at June 30th	($ 299,693)	($ 342,998)

CANADA NORTHWEST LAND LIMITED
920, Three Calgary Place,
355 - 4th Avenue S.W., Calgary, Alberta T2P 0J1

Globe & Mail,
Report on Business,
140 King St. W.,
Toronto, Ontario.

ALCRAFT - CALGARY
LITHOGRAPHED IN CANADA

INTERIM REPORT

Corp

Canada Northwest Land Limited

CNW

SIX MONTHS ENDING
JUNE 30, 1975

Jill

TO OUR SHAREHOLDERS:

For the first half of 1975, a 41% gain in gross revenues was recorded due mainly to a gain in production revenue of 71% and despite the disposal of Saskatchewan production interests. The levels of royalties and taxes paid to governments were little changed over the last year. Operating costs almost doubled as a result of higher production, while administration costs declined by 10%. Mineral taxes declined due to the disposal of some Saskatchewan and Manitoba mineral rights, while interest charges rose due to a much higher level of borrowing. Cash flow from operations rose from $37,000 to $99,000, and the net six months' loss declined from $216,000 last year to $136,000 this year.

The outlook for the rest of the year is for continued gains in income as more gas projects mature and as higher gas prices take effect. This trend is expected to continue in 1976, assuming no adverse governmental actions. Financing for our Company's 1975 capital needs has been arranged with our bank. The method of financing 1976 capital needs will depend on the condition of equity markets and interest rates at the time such funds are required.

Governments still appear to be reluctant to come to grips with the serious damage done to Canada's energy self-sufficiency by their earlier ad hoc interference with the very effective and competitive Canadian oil exploration industry. While some signs are appearing that Federal and Provincial Governments are cooperating, previous actions have left in their wake unnecessarily complex tax, royalty and price structures for hydrocarbons in Canada.

In the Arctic, the Federal Government, instead of encouraging industry to explore in the most risky and expensive environment in the world, has outlined land tenure rules which reserve so much discretion and potential profit to itself that, if implemented, could result in a complete shut-down of exploration investment.

In the U.S., drilling and exploration programs continue in Montana and Oklahoma. A modest gas discovery in Montana is now being followed up. In Spain, the Chevron group, which entered into farmouts and options on all of our Company's offshore interests, has abandoned the first hole, Rapita No. 1. However, the group has moved the rig to the second location, Casablanca No. 1, 20 miles to the north of Rapita No. 1. Detailed seismic surveys are being completed on other permits in the block.

In the North Sea discussions are continuing as to the best method and timing of drilling Block 3/7. It is expected that a decision will be made during the next Quarter.

H. G. Gammell,
President.

August 25, 1975.

CANADA NORTHWEST LAND LIMITED

Consolidated Statement of Income
(Unaudited)

	Six Months Ended June 30, 1975	Six Months Ended June 30, 1974
Revenue:		
Gross oil and gas sales before royalties paid to governments	$ 654,380	$ 382,358
Royalties and other operating revenue	95,069	161,582
Investments	64,403	33,618
	$ 813,852	$ 577,558
Deduct:		
Royalties	$ 155,012	$ 153,077
Operating Expenses	141,774	79,465
General and Administrative expenses (net of Management Fees)	147,552	164,206
Mineral Taxes	19,363	52,218
Interest	250,656	91,220
	$ 714,357	$ 540,186
Cash Income from Operations:	$ 99,495	$ 37,372
Deduct:		
Depletion - Depreciation	$ 106,371	$ 97,775
Amortization of financing charges and debenture discount	129,292	125,000
Deferred Interest		18,750
Loss on sale of investments		12,193
	$ 235,663	$ 241,525
Net Loss For The Six Months	($ 136,168)	($ 216,346)

CNW